BRITISH COLUMBIA

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highlights

a weekly digest of recently released British Columbia statistics

Prices

- **The consumer price index for BC rose 2.3% in April compared to the same month of last year.** The cost of energy fell 2.2% during the same period. With energy prices excluded, the consumer price index grew by 2.7%. The price of cigarettes was 24.1% higher than this time last year due to recent increases in tobacco tax. Transportation became more expensive, particularly the cost of automotive vehicle insurance (+10.5%) and public transportation (+11.9%). Food prices jumped 3.9% while the cost of shelter dropped by 0.6%.

  Across the country, the consumer price index grew by 1.7% compared to April 2001. Saskatchewan experienced the largest increase in prices (+3.6%) while Quebec posted the smallest gain (+1.0%). *Source: Statistics Canada*

The Economy

- **The value of exports of BC products rose for the third consecutive month in March (+0.5% seasonally adjusted).** Shipments of forest products were the main contributor to the increase, climbing 4.9% from February to March. Exports of energy jumped 1.7%, while industrial and consumer (-2.1), machinery, equipment and automotive (-5.9%) and agricultural and fishery products (-10.4%) all declined in March.

  The value of exports destined for US markets increased 6.9% in March, marking the first time since mid-1998 that there have been four straight months of export growth to the US. Exports of energy products led the way with a tremendous expansion of 54.9%, jumping to its highest level since June of last year. Forest product exports also continued to climb, rising 7.8%.

  Exports to countries other than the United States were down in every major category, particularly energy, which dropped 74.3% to its lowest level since at least 1988, the first year for which data is available. Overall, exports to the rest of the world fell 16.3%. *Source: BC STATS*

- **Retail trade in BC fell 0.5% (seasonally adjusted) in March to end five months of growth.** Nationally, sales stayed fairly constant (-0.2%). Nunavut posted the largest increase (+5.0%) while the Northwest Territories observed the sharpest decline (-8.0%). Canada-wide, sales in gasoline rose 5.6% and drug and patent medicine stores increased 0.8%. Clothing sales dropped 1.7% with shoe store sales falling by 4.3%. *Source: Statistics Canada*

- **During the first quarter, retail sales in BC grew by 5.7% (unadjusted) over the same quarter of 2001.** Sales rose across the board, with furniture (+9.3%) and drug (+9.1%) store sales posting the strongest gains. Sales of general merchandise (+3.8%) and clothing (+3.9%) stores grew more moderately. Nationally, the value of sales was up 5.3%, with generally the same areas of strengths. *Source: Statistics Canada*

- **Wholesale trade in BC fell 0.7% (seasonally adjusted) in March.** Canadian wholesale trade remained fairly flat (-0.2%). The biggest increase occurred in Nunavut (+11.3%). Northwest Territories experienced the largest drop (-48.3%). Wholesale trade of food products in Canada decreased sharply at 3.2%. Industrial and farming machinery and equipment sales fell by 2.9% and 2.2% respectively. The sale of lumber and building materials rose 1.7%, as did sales of apparel and dry goods. *Source: Statistics Canada*

Report — The Threat of American Protectionism

Did you know...
The average Canadian consumed 21.7 kilograms (that's 48 pounds) of pork and 23.4 kilograms (51 pounds) of beef in 2000.

- **The Ministry of Human Resources had a total of 254,201 employment and assistance clients in February, down 3.7% from the same month last year.** The number of clients receiving temporary assistance was 184,701 (-7.4%), with another 55,872 on continuous assistance, an increase of 10.6% from February 2001. There were 4,538 children living in the homes of relatives, who also received assistance from the government. *Source: Ministry of Human Resources data*

Deaths

- **The leading cause of death in BC in the last quarter of 2001 was cancer (27.9% of deaths).** Heart disease was the second highest cause of death at 23.5%. These figures have fallen since the third quarter when 30.5% of deaths were the result of cancer and 24.2% were due to heart disease. Accidents accounted for 4.3% of deaths in the last quarter compared to 4.6% in the third quarter. Deaths due to respiratory disease rose from 8.2% to 9.9%. *Source: BC Vital Statistics Agency*

- **Death by falling caused 22.1% of all accidental deaths in BC in between 1990 and 2000.** For females, falls were the leading cause of accidental death at 35.3%. Falling was the third highest cause of accidental death for males accounting for 15.9% of accidental deaths. A third (33.1%) of accidental male deaths were caused by motor vehicle accidents, while 25.5% were due to poisonings. During the same decade, 7.8% of all accidental fall deaths were alcohol related. *Source: BC Vital Statistics Agency*

Legal Aid

- **Total legal aid spending in BC increased by 5% in 2000/01, reaching $87.5 million, but was 11% below its 1996/97 level.** Expenditures for the country as a whole also rose 5% from the previous year, amounting to $512 million in 2000/01. Expenditures were $21.56 per capita in BC, the highest of any province and slightly higher than the per capita expenditures of $20.70 in Ontario. Per capita expenditures in the north were much higher than in other parts of the country, ranging from $33.73 in Yukon to $103.50 in Nunavut.

Of the $87.5 million expenditure in BC, $77.9 million was spent on direct legal services, while the remainder was spent on central administration and other programs. Civil cases accounted for 59% of direct legal expenditures and criminal cases for the remaining 41%. Almost two-thirds of the direct spending was paid to private lawyers, with the rest going to staff lawyers.

Source: Statistics Canada

The Nation

- **Canada's national debt stood at $537.6 billion at the end of March, down nearly $10 billion from a year earlier.** Despite the reduction in the size of the debt and low interest rates, public debt interest charges continued to comprise a substantial share of the total budget. Interest costs totaled $38.7 billion in the 2001/02 fiscal year, down from $41.4 billion in 2000/01. Total program expenditures were up 8.7%, to $125.6 billion, while revenues edged down 1.6% to $174.1 billion. *Source: Federal Department of Finance*

- **Canada's leading indicator gained 1.2% in April, following a 1.3% increase in March, the best consecutive advances in nearly 20 years.** Nine of the ten components rose, while the tenth, the average workweek in manufacturing, remained unchanged. The US leading indicator grew more slowly (+0.5% in March) than its Canadian counterpart, based on strength in its financial components.

Source: Statistics Canada

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For data originating from Statistics Canada: data sourced to 'Statistics Canada' has been retrieved from CANSIM, the agency's electronic database (www.statcan.ca); otherwise the source is identified as 'SC' plus the publication name or catalogue number.

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The Threat of American Protectionism

On March 22, 2002 the worst fears of the Canadian lumber industry were realised as the US Department of Commerce imposed punishing duties of 29% on imports of Canadian softwood lumber into the United States.[1] Ironically, the announcement came at a time when President Bush was in Mexico extolling the potential benefits of free trade with Central America. The imposition of the substantial duty comes on the heels of an American decision to place tariffs of up to 30% on several types of imported steel. These two decisions are giving rise to strong criticism against the United States and the strength of its commitment to the concept of free trade.

The United States has imposed duties of up to 29% on imports of Canadian softwood lumber

Fortunately for Canadian steel producers, Canada is exempt from duties on steel thanks to the North American Free Trade Agreement (NAFTA). However, the duties on Canadian softwood lumber have left the industry reeling, particularly in British Columbia. International Trade Minister Pierre Pettigrew described the 29% levy as "obscene" and immediately requested the creation of a panel under NAFTA to investigate whether the duties are consistent with American trade law. Canada had earlier registered a challenge with the World Trade Organisation (WTO).

Another Canadian industry that had been singled out by the United States for allegedly dumping its goods in the US recently won a reprieve. The Canadian greenhouse tomato industry had been facing anti-dumping duties ranging from 1.53% to 18.21%, with the highest duty earmarked for BC Hot House Foods Incorporated. However the United States International Trade Commission found that imports of greenhouse tomatoes from Canada did not threaten the US industry, and therefore the trade action was lifted. The decision gives hope to Canadian exporters that perhaps the perceived American shift toward protectionism has been exaggerated.

Canadian greenhouse tomato growers won their battle with their American counterparts when the USITC rejected the petition for anti-dumping duties on Canadian greenhouse tomatoes

[1] The 29% figure is comprised of a 19.34% countervailing duty on all Canadian exporters of softwood lumber (excepting those in the Atlantic provinces and a number of companies where it was determined there was no subsidy), plus an average dumping margin of 9.67%. The average dumping duty is applied to all companies excluding six for which specific margins were calculated. Four of these were companies operating in BC: Weyerhaeuser (15.83% anti-dumping duty), Slocan (7.55%), Canfor (5.96%) and West Fraser (2.26%).

However, major institutions, including the Toronto Dominion Bank, are warning that current conditions in the United States could help foster protectionism.[2] One of the factors they suggest could give rise to more protectionism is the fact that the US is facing mid-term elections this year. This could result in politicians trying to win support from various groups by endorsing trade restrictions that will benefit those groups.

The slowdown in the economy could also bring calls from struggling American industries for protection from their competitors. Yet another factor that could influence United States' trade policy is the strength of its currency relative to its trade partners. The weakness of the Canadian dollar relative to that of the US has given Canadian exporters a huge advantage over their American competitors. Ironically, it is the United States' economic strength that keeps its currency strong in times of global economic recession or socio-political strife. The recent economic slowdown coupled with the conflicts in Afghanistan and the Middle East have only served to strengthen the US dollar against the currencies of the United States' major trading partners (like Canada).

The American dollar has appreciated against the currencies of many of its major trade partners

A further irony is that an increase in protectionism could slow global economic recovery, which could cause further appreciation of the US dollar relative to other currencies, or at least hamper the ability of those currencies to regain the ground they have lost in the last year or so. This will affect the ability of American manufacturers to compete with imports from those countries and could bring about further accusations of dumping and other unfair business practises.

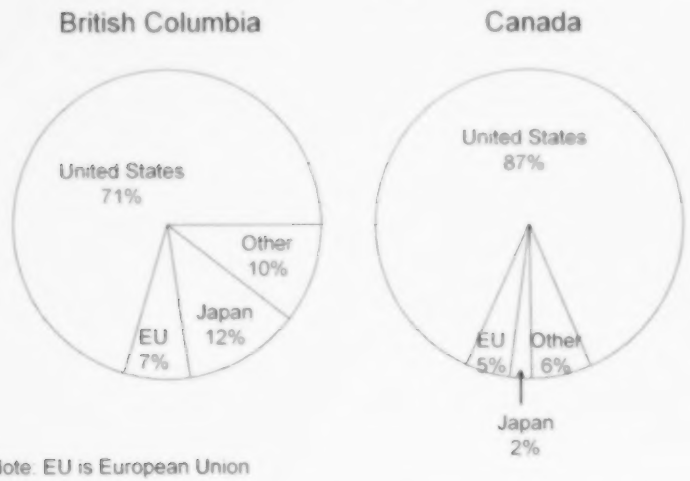
[2] TD Bank Financial Group, "The Spectre of U.S. Protectionism," TD Economics Topic Paper, March 18, 2002.

The TD Bank report also identifies the "Byrd amendment" as possibly providing impetus for trade challenges. This legislation, officially called the Continued Dumping and Subsidy Offset Act, stipulates that any anti-dumping duties collected by US Customs must be ceded to the companies that initiated the anti-dumping complaint. What this means for Canadian softwood lumber producers, for example, is that the fines they pay will go directly to their competitors, thereby conferring a double whammy on the Canadian producers. In effect, the foreign competitor ends up subsidising the US company. Needless to say, there has been significant international opposition to this law and several countries have appealed to the WTO to declare the legislation is in violation of international trade law.

The 'Byrd amendment' may give American companies incentive to initiate dumping challenges since the duties paid will accrue to them

The threat of increased American protectionism is no small matter for Canada. Recently the US put Canada near the top of its list of countries that it considers have unfair trading practises. In addition to lumber, it appears that wheat and dairy products could be the next commodities to face US tariffs. The United States is by far Canada's most important trading partner and these kinds of trade disputes could do severe damage to the Canadian economy.

The US is the destination for the large majority of exports from both British Columbia and Canada as a whole

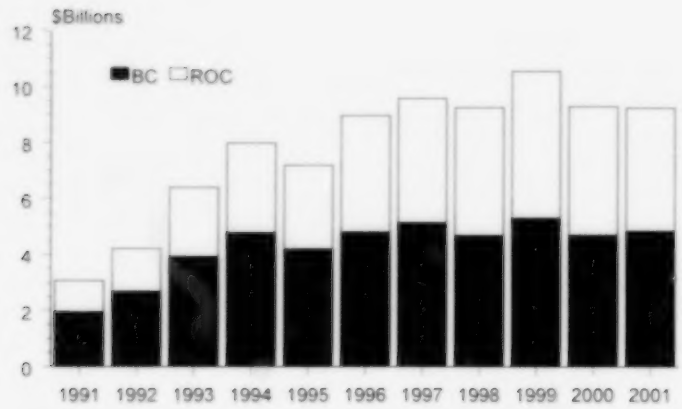


Note: EU is European Union

In 2001, 87% of all Canadian exports and 71% of all BC exports were to the United States

Softwood lumber alone represented over $9 billion in exports from Canada to the United States in 2001. Over half that amount originated in British Columbia. The imposition of a 29% duty has the potential to do serious harm to that industry.

Exports of Softwood Lumber to the United States



Over half the softwood lumber exported to the United States originates in British Columbia

The decision has left those in the industry outraged and has many promoting the idea of a boycott of American retailers operating in Canada. Others are suggesting that Canada should place export taxes on energy and other Canadian goods coveted by the US. Some even argue that Canada should retaliate by putting duties on imports of some American products, or by tying participation in the conflict in Afghanistan to the lumber issue. Several industry leaders and politicians have petitioned the federal government to assist those in the forest sector by paying their duties.

The softwood lumber decision has prompted suggestions of retaliatory actions ranging from boycotts to export taxes on energy products...

There have been criticisms that these options offer little in terms of a viable solution to the dispute. Putting export taxes on Canadian products would just hurt those industries and make them less competitive with foreign producers. Retaliatory tariffs could lead to an escalating trade war that would benefit nobody and tying trade matters to foreign policy decisions is probably unwise. The idea of having the federal government pay the duties of the forest companies has generated some of the harshest criticism based on fears that the Americans would perceive it as an illegal subsidy, which could lead to further trade action. In fact, the American lumber producers have stated that they would immediately petition for further duties if the federal government pays the tariffs.

...but these solutions would likely create more problems than they would solve

While Canada's comparatively small economy relative to the United States gives it little leverage in this kind of dispute, there are still options Canadians can explore. The first option is to stay the course with regard to the WTO and NAFTA challenges. Canada has won appeals on this matter before these trade bodies before, and there is a strong possibility that it will be successful again. The problem is that these appeals take some time and in the interim, Canadian lumber firms could be bankrupted.

There have been suggestions made that Canada should mount an advertising campaign in the US in an attempt to educate American consumers about the consequences of the lumber duties. There have been estimates from American consumer organisations that the duties could add at least $1,000 to the price of a new house. There are also other manufacturing industries in the US that use softwood lumber as inputs to their products, and the prices of these goods will likely rise as well. Based on the lack of press coverage on this issue in the US, this kind of approach may yield some positive results. An aggressive advertising campaign could lead to public pressure, thereby raising the profile of this issue with the US Government, particularly since this is an election year.

There are several other options to explore that are preferable to retaliatory types of measures

Other options that Canadian lumber companies have been prompted to explore include moving toward more value added production and diversifying their customer base to countries other than the United States.

All these options are preferable to retaliatory measures that will only serve to escalate an already bitter trade dispute. Canada cannot afford to get into a trade war with the United States, and for that matter, the US cannot afford it either. Canada was the destination for over 22% of American exports in 2001. Exacerbating the current trade dispute by spreading it to other areas of the economy will benefit no one, and in the end, consumers and businesses on both sides of the border will suffer.

Further reading regarding trade disputes:

"Canada and U.S. in Food Fight: Countries Swap Dumping Charges on Tomatoes," Business Indicators, March 2002.

"Is 'Runaway' Film Production in Canada Harming the U.S. Industry?" Exports, December 2001, and Business Indicators, February 2002.

"The Softwood Lumber Dispute," Exports, March 2001.

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BC at a glance . . .

POPULATION (thousands)	Jan 1/02	% change on one year ago
BC	4,108.0	0.9
Canada	31,185.8	0.9
GDP and INCOME		
(BC - at market prices)	2001	% change on one year ago
Gross Domestic Product (GDP) *($ millions)*	130,396	2.2
GDP *($ 1997 millions)*	125,534	0.9
GDP *($ 1997 per Capita)*	30,648	-0.1
Personal Disposable Income *($ 1997 per Capita)*	19,177	0.8
TRADE ($ millions)		
Manufacturing Shipments (seas. adj.) Mar	2,854	-3.5
Merchandise Exports (raw) Mar	2,400	-17.8
Retail Sales (seasonally adjusted) Mar	3,300	5.9
CONSUMER PRICE INDEX		% change on
(all items - 1992=100)	Apr '02	one year ago
BC	117.7	2.3
Canada	118.4	1.7
LABOUR FORCE (thousands)		% change on
(seasonally adjusted)	Apr '02	one year ago
Labour Force - BC	2,139	1.7
Employed - BC	1,953	-0.2
Unemployed - BC	187	26.7
		Apr '01
Unemployment Rate - BC *(percent)*	8.7	7.0
Unemployment Rate - Canada *(percent)*	7.6	7.0
INTEREST RATES (percent)	May 22/02	May 23/01
Prime Business Rate	4.00	6.50
Conventional Mortgages - 1 year	5.55	6.70
- 5 year	7.40	7.75
US/CANADA EXCHANGE RATE	May 22/02	May 23/01
(avg. noon spot rate) Cdn $	1.5360	1.5458
US $ *(reciprocal of the closing rate)*	0.6520	0.6447
AVERAGE WEEKLY WAGE RATE		% change on
(industrial aggregate - dollars)	Apr '02	one year ago
BC	668.06	2.7
Canada	650.90	2.5

SOURCES:

Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada

Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics

For latest Weekly Financial Statistics see www.bankofcanada.ca

Major Projects Inventory

New Internet Site

Major capital projects in British Columbia will provide jobs around the planning and construction phase and then continuing employment for the normal operation of the project. There are opportunities for job seekers, construction workers, suppliers, caterers, accommodation providers, contractors, and many other specialties. Local economies experience many direct and indirect benefits and as a result may attract additional investment.

BC STATS has developed an Internet site based on the MPI database. Tap in today and find the opportunity for you.

www.made-in-bc.ca/mpiHome.html

Released this week by BC STATS

- Exports, March 2002
- Consumer Price Index, April 2002

Next week

- Business Indicators, May 2002
- Current Statistics, May 2002

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